

Message Text

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C O N F I D E N T I A L MOSCOW 15529

E. O. 11652: GDS

TAGS: ETRD, ENRG, UR, NL

SUBJ: DOW CHEMICAL NAPTHA PURCHASES FROM USSR

USDOC FOR BEWT/TDAD (VERZARIU)

REF: MOSCOW 1216, JANUARY 25, 1974

1. AS POSTSCRIPT TO CONTROVERSY EARLIER THIS YEAR (REFTEL)
OVER SOVIET NAPTHA SHIPMENTS TO DOW CHEMICAL'S DUTCH OPERATIONS,
DOW'S USSR REP ADVISED COMMATT OCTOBER 10 THAT SOVIET FOREIGN
TRADE OFFICIALS HAVE NO IDEA WHY THESE SHIPMENTS WERE NOT
STOPPED DURING PERIOD OF ARAB OIL EMBARGO. DOW REP EXPLAINED
THAT DURING MEETING WITH SOYUZNEFTEEXPORT VICE PRESIDENT
I.I. FEDOROV, LATTER FRANKLY STATED THAT HE HAD BEEN "ORDERED
FROM ABOVE" TO CONTINUE SHIPMENTS TO DOW AND ENSURE THAT ALL
PROMISED QUANTITIES ARRIVED ON TIME. FEDOROV SAID HE HAD
BEEN SURPRISED AT THIS INSTRUCTION, GIVEN FACT THAT OTHERWISE
SOYUZNEFTEEXPORT WAS INSTRUCTED TO ADHERE TO TERMS OF ARAB
OIL BOYCOTT. DOW REP SAID SOVIET ACTION WAS ALSO SURPRISING
IN THAT DOW WAS PAYING PRICE SUBSTANTIALLY BELOW SPOT PRICE
FOR NAPTHA UNDER TERMS OF LONG-TERM PURCHASE AGREEMENT AND
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SOVIETS MADE NO EFFORT PUSH PRICE UP IN RESPONSE TO MOVEMENTS

ON WORLD MARKET.

2. COMMENT: ALTHOUGH REASONS FOR SOVIET ACTION IN DOW CASE MUST REMAIN OBSCURE, ONE EXPLANATION IS THAT THE SOVIETS VALUED THEIR COMMERCIAL RELATIONSHIP WITH DOW SUFFICIENTLY TO OVERRIDE CONFLICTING INFLUENCE ON THEIR SUPPORT FOR ARAB OIL EMBARGO. END COMMENT.

3. ALTHOUGH IN PAST SOVIET MINISTER OF CHEMICAL INDUSTRY KOSTANDOV HAS CRITICIZED DOW (OFTEN IN PUBLIC) FOR HOLDING BACK ON SALES OF TECHNOLOGY TO USSR, DOW REP SAID SENIOR COMPANY OFFICIAL HAD MADE EXTENSIVE PROPOSAL FOR TECHNOLOGY-FOR-PRODUCT SWAP DURING MEETING WITH KOSTANDOV IN JUNE 1974. AT THAT TIME, KOSTANDOV HAD PROMISED RESPONSE WITHIN 24 HOURS, BUT DOW IS STILL WAITING FOR AN ANSWER. (COMMENT: DOW REP SAID HE ASSUMED SOVIETS SAW THEMSELVES IN VERY STRONG POSITION VIS-A-VIS WESTERN CHEMICAL COMPANIES AS RESULT OF CURRENT PROBLEMS ON WORLD MARKET AND WERE HOLDING BACK WAITING FOR BEST DEAL. END COMMENT)
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